

**Taxpayer Advocate Service Employees Made  
Adjustments to Taxpayer Accounts Without  
Proper Authorization**

**March 2002**

**Reference Number: 2002-10-079**

**This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.**



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

March 28, 2002

MEMORANDUM FOR NATIONAL TAXPAYER ADVOCATE

FROM: Pamela J. Gardiner  
Deputy Inspector General for Audit

SUBJECT: Final Audit Report - Taxpayer Advocate Service Employees  
Made Adjustments to Taxpayer Accounts Without Proper  
Authorization (Audit # 200110040)

This report presents the results of our review to determine if Taxpayer Advocate Service (TAS) employees made adjustments to taxpayer accounts using authorities the National Taxpayer Advocate (NTA) had not yet redelegated to them or authorities never delegated to the NTA. We also determined the scope of these activities and quantified the number of taxpayer accounts potentially affected when TAS employees made adjustments outside the NTA's delegated authorities.

The TAS is an independent function of the Internal Revenue Service (IRS) and is responsible for helping taxpayers resolve problems by taking an independent, objective look at their problems and working with other IRS functions and divisions to ensure a fair outcome. The TAS is able to grant relief to taxpayers through statutory authorities<sup>1</sup> and delegated authorities. Delegated authorities are those delegated by the IRS Commissioner to the NTA to perform certain tax administration duties.

In summary, we found that one of nine TAS area directors improperly authorized TAS employees to make adjustments to taxpayer accounts using authorities the NTA had not yet redelegated to them. In addition, TAS employees in all nine TAS areas made adjustments to taxpayer accounts using authorities never delegated to the NTA. Other functions in the IRS have been delegated authorities to work those types of cases.

We recommended the NTA require TAS managers to conduct on-line reviews of proposed adjustments and ensure the TAS closed case quality assurance program includes steps for identifying adjustments made without proper authorization. In

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<sup>1</sup> Internal Revenue Code (I.R.C.) § 7811 (1998).

addition, the NTA should consult with the appropriate IRS officials to determine the effect of the adjustments made by TAS employees that are not consistent with the NTA's delegated authorities.

Management's Response: The NTA agreed with our findings and recommendations and TAS management has initiated corrective actions. To ensure adjustments on cases were authorized, the TAS implemented training initiatives, developed an on-line review process, and modified closed case review criteria. In addition, the NTA addressed the results of this audit with the Commissioner and will work with appropriate IRS officials as TAS identifies case situations where TAS employees' actions may require ratification. Management's complete response to the draft report is included as Appendix V.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

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## **Taxpayer Advocate Service Employees Made Adjustments to Taxpayer Accounts Without Proper Authorization**

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### **Background**

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As a result of the Internal Revenue Service (IRS) Restructuring and Reform Act of 1998,<sup>1</sup> the Taxpayer Advocate Service (TAS) became an independent function of the IRS. The reorganized TAS consists of nine Area Taxpayer Advocates (area directors) who report to the National Taxpayer Advocate (NTA) and oversee 74 Local Taxpayer Advocates (LTA). The LTAs and their employees are responsible for helping taxpayers resolve problems by taking an independent, objective look at their problems and working with other IRS functions and divisions to ensure a fair outcome.

The TAS is able to grant relief to taxpayers through statutory authorities<sup>2</sup> and delegated authorities. Delegated authorities are those delegated by the IRS Commissioner to the NTA to perform certain tax administration duties.

On November 2, 1999, the Commissioner issued a memorandum granting Interim Delegation of Authorities to the NTA.<sup>3</sup> This memorandum delegated an initial set of authorities to the NTA to permit TAS employees to handle certain taxpayer cases, commonly understood as “routine.” Routine cases are generally resolved using standard procedures and guidelines to a given set of facts and circumstances, usually related to customer service problems.

Effective January 17, 2001, the Commissioner delegated additional authorities to the NTA to provide taxpayers more efficient service. These “expanded authorities” apply when there is no disagreement within the IRS about the appropriate action to be taken in the case or when the case is not open in another IRS function. The Commissioner ratified any action taken prior to January 17, 2001, by a TAS employee, consistent with the authorities and guidelines. Therefore, adjustments made by TAS

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<sup>1</sup> Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98), Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

<sup>2</sup> Internal Revenue Code (I.R.C.) § 7811 (1998).

<sup>3</sup> These authorities were redelegated by the NTA June 8, 2001.

## **Taxpayer Advocate Service Employees Made Adjustments to Taxpayer Accounts Without Proper Authorization**

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employees before January 17, 2001, using the expanded authorities would be considered as authorized.

The expanded authorities include adjustments and other taxpayer account maintenance activities, subject to specific limitations. Examples of these authorities include the ability to research the status of a tax refund, to make necessary general adjustments to taxpayer accounts due to processing errors, and to research and resolve payment tracer inquiries if a payment is not applied to the correct tax account.

The NTA determined the TAS should provide its employees a comprehensive training program on the expanded authorities and did not redelegate the authorities to TAS employees until September 25, 2001. At that time, the NTA re delegated the expanded authorities to TAS employees to the extent necessary to perform their official duties; however, this re delegation did not apply to employees below the grade or position level of Associate Advocate.

In May 2001, a TAS employee sent an anonymous letter to the NTA. The employee alleged that TAS employees frequently took case actions not yet re delegated to them and actions not part of any authority delegated to the NTA. The NTA immediately requested the Treasury Inspector General for Tax Administration to review the allegations.

This audit was performed from July to December 2001 in the TAS National Headquarters and in the nine Area Taxpayer Advocate Offices. The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objectives, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

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### **One Area Director Authorized Adjustments Before the National Taxpayer Advocate Redelegated the Authority**

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One of nine TAS area directors improperly authorized TAS employees to make adjustments to taxpayer accounts using the expanded authorities not yet re delegated to them. Rather than referring the cases to other IRS functions, the area director improperly authorized TAS employees to determine the appropriate case actions and input the related adjustments to the taxpayers' accounts on the IRS' primary computer system.

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The area director prematurely authorized these adjustments in order to minimize using IRS resources and more quickly resolve taxpayer problems. The area director, aware that the IRS Commissioner planned to delegate additional authorities to the NTA, assumed the NTA would quickly redelegate the authorities to the TAS employees. Therefore, in July 2000, the area director authorized TAS employees under his direction to use the expanded authorities.

The TAS did not have sufficient internal controls in place to identify adjustments made without proper authorization. For example, the TAS closed case quality assurance program includes procedures to determine if adjustments were accurately input or completed but does not include procedures to determine if the TAS employees had the authority to make the adjustments.

The IRS Commissioner ratified all adjustments made without proper authorization, consistent with the authorities and guidelines made by TAS employees prior to January 17, 2001. In addition, on September 25, 2001, the NTA redelegated the expanded authorities, effective October 1, 2001. The NTA also ratified all adjustments consistent with the authority made between January 17 and October 1, 2001. Therefore, all adjustments made by TAS employees before October 1, 2001, using the expanded authorities would be considered as authorized.

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### **Taxpayer Advocate Service Employees Across the Country Made Adjustments Without Proper Authorization**

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TAS employees in all nine TAS areas made adjustments to taxpayer accounts using authorities not delegated to the NTA. Directors in four of the nine areas authorized the adjustments, with two having entered into formal local customer service agreements with the functions to make the adjustments.

Generally in all nine areas, TAS employees reviewed these cases, gathered the necessary information, and in some cases, made recommendations. They then referred the cases to the functions with the delegated authority to work these types of cases and issues. The functions would approve or disapprove the recommended actions, or make their own determinations, and return the cases to the TAS. The TAS employees would then manually enter the adjustments

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to the taxpayers' accounts on the IRS' primary computer system.

The four area directors understood the TAS was not authorized to work these types of cases. However, they believed their employees were merely acting as computer terminal operators when they entered the adjustments. They authorized these actions to minimize using IRS resources and to more quickly resolve taxpayers' problems.

In some instances, the area directors believed the TAS employees made the adjustments to build better working relations with the IRS functions. They stated IRS managers believe the recent IRS reorganization left many IRS functions understaffed. IRS employees with examination and collection experience transferred to the TAS, leaving those functions without a sufficient number of experienced IRS employees to work the cases and enter adjustments to taxpayer accounts.

In June 2001, the NTA sent a message to TAS employees stating they do not have the authority to input taxpayer account adjustments on any cases the TAS does not have the statutory or delegated authority to work. By making these types of adjustments without proper authorization, the TAS risks performing the same duties as various IRS functions, instead of helping taxpayers to work through the already existing system.

The TAS does not have sufficient internal controls in place to identify adjustments made without proper authorization. There are no managerial or on-line reviews to prevent proposed adjustments without proper authorization from being input. In addition, the TAS closed case quality assurance program does not include procedures to determine if TAS employees had the authority to make the adjustments.

At the request of the NTA, we determined the scope of these activities and quantified the number of taxpayer accounts potentially affected when TAS employees made adjustments outside the NTA's delegated authorities. From March 2000 to August 2001, TAS employees nationwide potentially made 4,037 adjustments without proper

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authorization totaling over \$17 million. Of these, 2,848 (71 percent) are audit reconsideration<sup>4</sup> cases totaling over \$11 million. The number of adjustments dramatically dropped after the NTA sent her message in June 2001, clarifying the TAS employees' authorities to input adjustments. See Appendix IV for an analysis of adjustments made without proper authorization.

We did not find any indication that any of these adjustments were inappropriate. Although TAS employees were not authorized to make these types of adjustments, we believe they made the adjustments only after other IRS functions appropriately approved them.

We cannot accurately determine the number of taxpayer accounts affected. Our analysis identified adjustments made on cases with Major Issue codes that TAS employees did not have the delegated authority to work. The Major Issue code describes the taxpayer's underlying issue. However, the TAS has determined that a significant number of cases in the inventory might be miscoded. Error rates within 2 of the codes included in our review were 39 percent and 51 percent.<sup>5</sup> We cannot determine whether there are more or less adjustments potentially affected due to miscoded cases.

The NTA stated on April 3, 2001, in testimony to the House of Representatives Committee on Ways and Means, if the "TAS takes on more IRS authorities, it risks becoming a 'shadow IRS' and it loses its effectiveness as an advocate for systemic change. That is, after all, the ultimate goal – to work with other IRS operating and functional divisions in identifying and mitigating individual and systemic taxpayer problems."

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<sup>4</sup> Audit reconsiderations are cases in which the IRS has already made a determination on an examined tax return, but the taxpayer is asking the IRS to reconsider its previous decision.

<sup>5</sup> The TAS Inventory Study dated April 10, 2001, reported that an analysis of 800 cases showed that the TAS has a continuing problem with coding errors. For our analysis, we used two of the seven codes included in the TAS study. The error rates for these two codes were 39 percent and 51 percent.

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**Recommendations**

We recommend the NTA:

1. Require that TAS managers conduct on-line reviews of proposed adjustments to identify adjustments made without proper authorization.

Management's Response: The NTA agreed with this recommendation and has developed an on-line quality review process. This process includes a review to ensure adjustment actions are accurate and within the delegated authorities.

2. Ensure the TAS closed case quality assurance program includes steps to identify adjustments made without proper authorization.

Management's Response: The NTA modified TAS quality review standards. The standards require a review to ensure actions taken to resolve cases are technically and procedurally correct, and within TAS statutory or delegated authorities.

3. Consult with the appropriate IRS officials to determine the effect of the adjustments made by TAS employees that are not consistent with the NTA's delegated authorities.

Management's Response: The NTA addressed the results of this audit with the Commissioner and will work with appropriate IRS officials as the TAS identifies case situations where TAS employees' actions may require ratification.

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### **Appendix I**

#### **Detailed Objectives, Scope, and Methodology**

The overall objective of this review was to determine if, as alleged, Taxpayer Advocate Service (TAS) employees made adjustments to taxpayer accounts using authorities the National Taxpayer Advocate (NTA) had not yet redelegated to them or authorities not delegated to the NTA. We also determined the scope of these activities in the TAS nationwide and quantified the number of taxpayer accounts potentially affected when TAS employees made adjustments outside the NTA's delegated authorities.

- I. To determine if TAS employees made adjustments to taxpayer accounts using authorities the NTA had not yet redelegated to them or adjustments not delegated to the NTA, we:
  - A. Reviewed the relevant delegated authorities and Internal Revenue Manual (IRM) sections to determine what actions were not authorized for TAS employees.
  - B. Interviewed the nine TAS area directors to determine their policies for implementing the authorities delegated to the NTA on January 17, 2001, and if they authorized adjustments not delegated to the NTA.
  - C. Interviewed a local taxpayer advocate and appropriate personnel in the office where the allegation was initiated and determined if TAS employees had been inputting adjustments to taxpayer accounts that are outside the authorities delegated to the NTA.
  - D. Consulted with Treasury Inspector General for Tax Administration (TIGTA) Counsel on the validity of the adjustments.
  - E. Consulted with the TIGTA Office of Investigations about the results.
- II. To quantify the number of taxpayer accounts affected when TAS employees made adjustments outside the NTA's delegated authorities, we:
  - A. Researched the delegated authorities and consulted with TAS management and analysts to identify Major Issue (MI) codes that might be associated with adjustments made without proper authorization. The TAS uses MI codes to classify its cases; the MI codes describe the taxpayer's underlying issue. If the taxpayer has more than one issue, the TAS employee uses the predominant MI code. We identified 8 of 55 MI codes we could use to identify the potential adjustments made without proper authorization, i.e., TAS employees would not have the authority to adjust a taxpayer account when working a case properly classified with 1 of the 8 MI codes.

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NOTE: We did not research the individual cases to determine if TAS employees used the proper MI codes when classifying the cases.

- B. Obtained from the TAS a download of all TAS cases (approximately 403,000 taxpayers)<sup>1</sup> controlled on the Taxpayer Advocate Management Information System (TAMIS) from March 2000 to August 2001. We identified over 89,000 TAMIS cases with the 8 MI codes. The TAMIS is the TAS' electronic database and case inventory control system. NOTE: We used March 2000 for our analysis, because that is the date the TAS became an independent function of the IRS.

NOTE: We did not determine if the TAMIS data provided by the TAS were complete. The only validation done on the data was to ensure it met our extract specifications.

- C. Obtained an Integrated Data Retrieval System (IDRS) audit trail of all TAS employees making adjustments to any taxpayer account from March 2000 to August 2001. We identified 309,887 adjustments made by TAS employees to taxpayer accounts during that time period. The IDRS is the IRS' primary computer system.
- D. Compared the approximately 89,000 TAMIS cases with the applicable MI codes with the 309,887 IDRS adjustments and identified 81,927 suspect adjustments.
- E. Requested Masterfile electronic transcripts for accounts with suspected adjustments. Masterfile is the IRS' database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data. We compared the transcripts we received to the suspected adjustments and eliminated those accounts with zero dollar adjustments. We identified 4,037 adjustments with dollar amounts.

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<sup>1</sup> The TAMIS download appeared to contain several invalid Taxpayer Identification Numbers. Therefore, the exact number of taxpayers could not be determined.

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**Appendix II**

**Major Contributors to This Report**

Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs)

Mary V. Baker, Director

Augusta R. Cook, Audit Manager

Kenneth L. Carlson, Jr., Senior Auditor

Andrew Burns, Auditor

David Lowe, Auditor

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**Appendix III**

**Report Distribution List**

Commissioner N:C  
Deputy Commissioner N:DC  
Chief Counsel CC  
Director, Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O  
Office of Management Controls N:CFO:F:M  
Audit Liaison: National Taxpayer Advocate TA

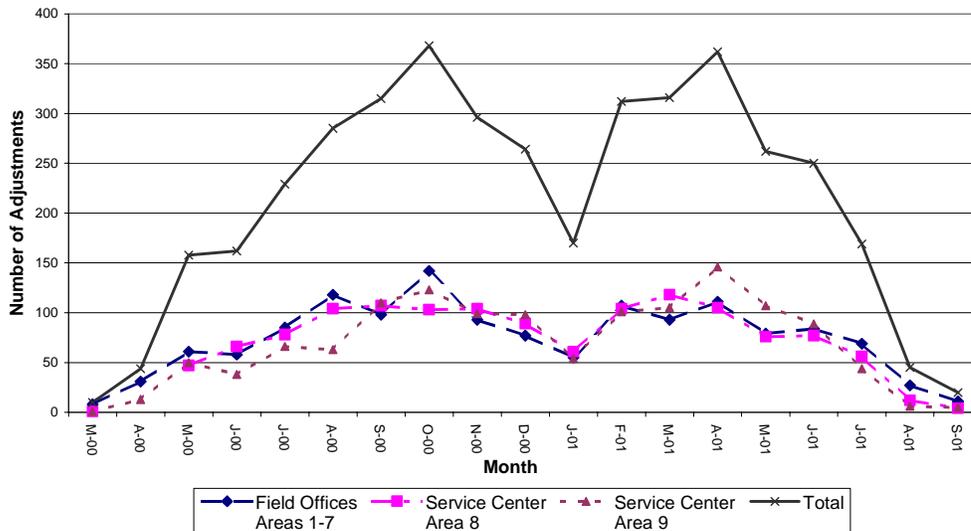
## Taxpayer Advocate Service Employees Made Adjustments to Taxpayer Accounts Without Proper Authorization

### Appendix IV

#### Analysis of Adjustments Made Without Proper Authorization

This appendix presents detailed information on adjustments made by Taxpayer Advocate Service (TAS) employees. The sources of this graph include the Taxpayer Advocate Management Information System (TAMIS),<sup>1</sup> the Integrated Data Retrieval System,<sup>2</sup> and the Masterfile.<sup>3</sup> Though the TAMIS data was for all TAS cases from March 2000 to August 2001, some of the adjustments made by TAS employees did not post to the Masterfile until September 2000 and are included in the chart below.

NOTE: We did not research the individual cases to determine if TAS employees used the proper Major Issue codes when classifying the cases.



<sup>1</sup> The Taxpayer Advocate Management Information System is the TAS' electronic database and case inventory control system.

<sup>2</sup> The Integrated Data Retrieval System is an on-line data retrieval and data entry system that processes transactions entered from terminals located in both service centers and field offices. The system enables employees to perform such tasks as researching account information, requesting tax returns, entering collection information, and generating collection documents.

<sup>3</sup> Masterfile is the IRS' database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.

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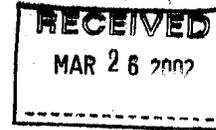
Appendix V

**Management's Response to the Draft Report**



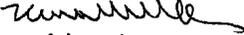
National  
Taxpayer Advocate

Department of the Treasury  
Internal Revenue Service  
Washington, DC 20224



MAR 26 2002

MEMORANDUM FOR PAM GARDINER, DEPUTY INSPECTOR GENERAL  
FOR AUDIT

FROM: Nina E. Olson   
National Taxpayer Advocate

SUBJECT: Response to Draft Audit Report – Taxpayer Advocate  
Service Employees Made Adjustments to Taxpayer  
Accounts Without Proper Authorization  
(Audit #200110040)

Your report on the implementation of the Taxpayer Advocate Service's authorities was very helpful to me in addressing an issue of fundamental importance to our mission. The Taxpayer Advocate Service (TAS) has taken several corrective actions to make clear to both TAS and Internal Revenue Service employees the sources and scope of TAS authority.

The Commissioner delegated additional authorities to the National Taxpayer Advocate on January 17, 2001. I delayed the redelegation of these authorities so that we could provide our employees with the appropriate training. On June 22, 2001, in a voice mail message to all TAS employees, I clarified their existing scope of authority. Your findings show that adjustment activity decreased significantly after they received this guidance.

We reviewed a sample of the cases in the category of open audit reconsiderations that made up approximately seventy percent of the potentially unauthorized adjustments identified in your report. As noted in your report, our review confirmed that in many cases where we did not have the authority to make adjustments, "... TAS employees reviewed these cases, gathered the necessary information, and in some cases, made recommendations. They then referred the cases to the functions with the delegated authority to work these types of cases and issues. The functions would approve or disapprove the recommended actions, or make its own determinations, and return the cases to the TAS. The TAS employees would then manually enter the adjustments to the taxpayers' accounts on the IRS' primary computer system." Many of our managers "...believed their employees were merely acting as computer terminal operators when they entered these adjustments." Our sample review of the individual cases confirms your finding that the majority of adjustments input and not authorized by TAS fall into this category.

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We also reviewed a sample of cases from the population of the accounts identified by your audit by each of the major issue categories. As you point out in your report, several cases were miscoded and actually were within our authority to take the corrective action. We are working to revise and clarify coding procedures within the TAS organization. Further, our review showed adjustments made by TAS employees prior to October 1, 2001, which have since been ratified and are now authorized. We also found some cases with multiple issues, of which some were within our adjustment authority, such as the correction of a service error.

Regardless of these sample results, I agree with your report recommendations. By June 2001, we understood there was confusion about the scope of TAS authorities and were taking corrective actions. Your report confirms this understanding. Examples of the actions we have taken include:

- In August 2001, we convened a CPE symposium of 600 TAS Directors, managers, analysts, technical advisors as well as the Quality Review Staff in which we reviewed the source and scope of TAS authority, both statutory and delegated.
- We implemented a training course for all TAS employees on the IRM 21 delegated authorities which included excerpts from the August CPE.
- We modified our quality review standard within TAS to include the review requirement for accuracy. This standard addresses the requirement that the actions we take to resolve a case are technically and procedurally correct and are within either our statutory or delegated authority. This standard became effective January 31, 2002 (see attachment).
- We developed a course titled "Being an Advocate and Your Authorities". NTA and Deputy NTA will lead the Initial training efforts with all TAS Directors and Local Taxpayer Advocates. In the field, managers will deliver the training to their workgroups and concentrate on case scenarios to develop advocate skills, problem identification, solutions and the appropriate use of TAS authorities. The course includes:
  - Philosophy and background of TAS
  - Attributes and behaviors of a strong advocate
  - Appropriate use of TAS' authorities
- We developed an on-line quality review process for IDRS actions. The process includes a review to ensure adjustments are accurate and within the delegated authorities. We will begin on-line reviews by October 1, 2002.

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Regarding your third proposal, I have addressed the results of this audit with the Commissioner and I will work with appropriate IRS officials as we identify case situations where our actions may require ratification.

Thank you for the opportunity to review and comment on this report. I appreciate the willingness of your audit team to work with us in quantifying this data. As TAS struggled to determine what happened to the old Problem Resolution Program as a result of the IRS Restructuring and Reform Act of 1998, there was confusion about the scope of TAS Authorities. With the delegated authorities we now have, TAS employees can take direct actions on many of the adjustment cases identified in your report. If you have any questions or concerns, please call Rena Girinakis at (202) 622-4321.

Attachment

## Taxpayer Advocate Service Employees Made Adjustments to Taxpayer Accounts Without Proper Authorization

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### INCORPORATING STATUTE SUSPENSION AND DELEGATIONS OF AUTHORITY INTO THE QUALITY REVIEW PROCESS

#### Background

TAS authorities have changed and may continue to change while the organization determines what its appropriate authorities will be. While this process is ongoing, the need to modify the applicable quality standards becomes critical in order to measure the quality of TAS cases. The new authorities have been approved and training is under way; the question now is how will we measure/monitor the implementation of the new authorities. Adherence to the delegations of authorities and the timely and accurate processing of the statute suspension where appropriate on TAS cases is critical. The current quality standards may not specifically include such items as measurable case quality results.

There will be an effort this fiscal year to revisit the quality standards but this will not begin until late in year. Should revisions take place, it is understood that comparisons of future quality scores, especially when reviewing indicators by standard, may require clarification since the standards may have changed. The recent changes to IRM 13 and the heightened focus on authorities and statute suspension require modifications to the quality standards immediately.

#### Recommendations:

How to capture data regarding the correct use of the new authorities? How to capture whether TAS is suspending the statute in a timely manner?

We recommend that we capture this data under Standard 6. Were all adjustments that impact the taxpayer technically/procedurally correct? The new authorities authorized certain actions to accurately resolve taxpayer account problems. This could be measured along with other processes used to resolve taxpayer accounts and appropriate literals to define specifically why the standard was not met. However, the standard definition would be modified/expanded to include the new delegation of authorities and statute consideration.

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**STANDARD 6 CURRENT DEFINITION READS:**

**THIS STANDARD ENSURES THAT ADJUSTMENTS MADE BY TAS AND IRS OPERATIONS/FUNCTIONAL DIVISIONS ARE TECHNICALLY AND PROCEDURALLY CORRECT. THE TERM "TECHNICALLY CORRECT" REFERS TO THE MECHANICS OF THE ADJUSTMENTS, WHILE "PROCEDURALLY CORRECT" REFERS TO WORKING THE CASE IN ACCORDANCE WITH THE INTERNAL REVENUE MANUALS AND HANDBOOKS. REVIEWERS WILL LOOK FOR ERRORS THAT NEGATIVELY IMPACT THE TAXPAYER.**

**PROPOSED STANDARD 6 DEFINITION:**

**THIS STANDARD ENSURES THAT ACTIONS TAKEN BY TAS AND IRS OPERATIONAL/FUNCTIONAL DIVISIONS ARE TECHNICALLY AND PROCEDURALLY CORRECT. THE TERM "TECHNICALLY CORRECT" REFERS TO THE MECHANICS OF ADJUSTMENTS, WHILE "PROCEDURALLY CORRECT" REFERS TO WORKING THE CASE IN ACCORDANCE WITH THE INTERNAL REVENUE MANUALS AND HANDBOOKS. REVIEWERS WILL LOOK FOR ERRORS THAT NEGATIVELY IMPACT THE ORGANIZATION AND/OR TAXPAYERS.**

In summary, this change could have an impact on the standard rating because the previous definition included negative impact to the taxpayer only. With the new revised standard, negative impact does not refer only to impact on the taxpayer but includes impact on the organization.

**Effective Date**

The proposed changes are effective January 31, 2002.

APPROVED John J. Mannion DATE 1/10/02

DISAPPROVED \_\_\_\_\_ DATE \_\_\_\_\_

Question/Concerns